MOORE Advent

TAX FLASH

August 2026

IN THIS ISSUE

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LEGEND

ACA	Accelerated Capital Allowance
DGIR	Director General of Inland Revenue
DGCE	Director General of Customs and Excise
CA	Capital Allowance
CA 2016	Companies Act 2016
CGT	Capital Gains Tax
FAQ	Frequently Asked Questions
IBA	Industrial Building Allowance
ICT	Information and Communication Technology
IRB	Inland Revenue Board
ITA 1967	Income Tax Act 1967
LBATA 1990	Labuan Business Activity Tax Act 1990
LLP	Limited Liability Partnership
MIDA	Malaysian Investment Development Authority
MITI	Ministry of Investment, Trade and Industry
MOF	Ministry of Finance
MOTAC	Ministry of Tourism, Arts and Culture
MSME	Micro, Small and Medium Enterprise
PIA 1986	Promotion of Investments Act 1986
PR	Public Ruling
RA	Reinvestment Allowance
RMCD	Royal Malaysian Customs Department
RPGT	Real Property Gains Tax
RPGT Act 1976	Real Property Gains Tax Act 1976
SA 1949	Stamp Act 1949
SC	Securities Commission
TP	Transfer Pricing
WT	Withholding Tax
YA	Year of Assessment

Double Deduction for Sponsorship of Scholarship to Malaysian Student

Following the Budget 2026 announcement, the *Income Tax (Deduction for the Sponsorship to Malaysian Student Pursuing Studies at Technical and Vocational Certificate, Diploma, Bachelor's Degree or Professional Certificate Levels) Rules 2026* has been gazetted to provide double deduction for expenses incurred and paid by a resident company in the basis period for a year of assessment in respect of scholarships sponsored for Malaysian students.

The salient updates of the Rules include:-

- **Qualifying courses**
  The scope of eligible courses has been expanded to include:-
  - diploma or bachelor's degree levels in a higher educational institutions;
  - professional certificate levels approved by the professional body; or
  - technical and vocational certificate level courses in an institution.

- **Increase in parents' or guardians' income threshold**
  The monthly income threshold for the student's parents or guardians has been increased to not exceeding RM15,000.

- **Qualifying scholarship expenses**
  Expenses incurred in respect of sponsorship of scholarship which consist of:-
  - payment required by the relevant institution or higher educational institution relating to the course of study; and
  - educational aid and reasonable cost of living expenses throughout the student's period of study at the relevant institution or higher educational institution.

- **Extension of qualifying scholarship agreement period**
  The Rules apply to scholarship agreements executed from 1st January 2026 to 31st December 2030.

- **Reporting requirement**
  Companies claiming the deduction are required to submit a report to the Ministry of Higher Education containing details of the scholarship agreement, including the student's information, sponsored course, institution of placement and amount of sponsorship.

- This Rules shall have effect from the YA 2026.

Note: *For further details, kindly refer to our Tax Flash – February 2022 and Tax Flash – November 2025 (Special Edition) issues.*

Guidelines for Application for Approval of the DGIR for Endowment under Section 44(11D) of the ITA 1967

The IRB has recently updated the *Guidelines on Application for Approval of the DGIR for Endowment under Section 44(11D) of the ITA 1967* to replace the previous Guidelines issued on 6th October 2020. The updated Guidelines represent a comprehensive enhancement of the existing approval framework, rather than a fundamental change, while also incorporating new requirements arising from the implementation of Malaysia's e-Invoice framework.

The salient updates of the Guidelines include:-

- The scope of eligible institutions has been expanded to include public university teaching hospitals, in addition to public universities.
- The Endowment Fund is required to maintain a separate management and administrative structure, independent from the operational management of the public university or public university teaching hospital.
- Every Endowment Fund is required to obtain its own Tax Identification Number ["TIN"] before applying for approval. The updated Guidelines also clarify that no minimum operational period is required before an application for approval may be submitted.
- The updated Guidelines incorporate Malaysia's e-Invoice framework by prescribing the circumstances in which an e-Invoice or an official donation receipt should be issued, including the use of consolidated e-Invoices where applicable.
- Approved Endowment Funds are required to utilise at least 50% of the endowment income earned in the preceding year by no later than the third year for the approved objectives of the Endowment Fund. Expenditure incurred on investments or the acquisition of assets for the Endowment Fund will not be regarded as expenditure incurred for the approved objectives.
- Endowment Funds intending to undertake activities that are not in accordance with their approved objectives, or to dissolve the Endowment Fund or surrender the approval granted under Section 44(11D), are required to submit a written application to the IRB within the same financial year.
- Approval continues to be granted for a period of up to 5 years, with applications for renewal required at least 6 months before expiry. The updated Guidelines also introduce more comprehensive compliance requirements and specify circumstances that may result in withdrawal of approval or loss of tax exemption.

Note: *For further information on the previous Guidelines, kindly refer to our Tax Flash – February 2021 issue.*

Guidelines for Claiming Deductions for Promotion of Export of Higher Education

The IRB has recently issued the *Guidelines for Claiming Deductions for Promotion of Export of Higher Education* to provide clarification on the eligibility conditions, qualifying expenditure, claim procedures and documentary requirements for companies claiming further deduction under the Income Tax (Deduction for Promotion of Export of Higher Education) Rules 2001 [P.U.(A) 185/2001], and the Income Tax (Deduction for Promotion of Export of Higher Education)(Amendment) Rules 2003 [P.U.(A) 261/2003].

The Guidelines provide clarification on the following key areas:-

- Eligibility criteria for a company claiming the further deduction, including the following requirements:-
    - the company must be a Malaysian tax resident incorporated under the CA 2016,
    - principal objective is to establish, manage and own a private higher education institution registered with the Ministry of Higher Education ["MOHE"], and
    - an application for approval from MOHE to undertake the programmes and activities relating to the promotion of higher education export overseas must be submitted to the Higher Education Internationalisation Division of the Department of Higher Education.

- Categories of qualifying expenditure, including expenditure incurred for market research, preparation of tender documents, and technical information, overseas promotional travel, participation in education exhibitions, overseas publicity and advertising, and operating expenses of overseas education promotion office.

- Claim procedures and record-keeping requirements, including the submission of the prescribed claim form and the retention of supporting documents for at least 7 years for audit purposes.

Guidelines for Application for Approval by the DGIR for *Wakaf* under Section 44(11D) of the ITA 1967

The IRB has recently issued the updated *Guidelines for Application for Approval by the DGIR for Wakaf under Section 44(11D) of the ITA 1967* to provide guidance, for applications for approval under Section 44(11D) in respect of *Wakaf* funds. The updated Guidelines strengthen the administrative, reporting and compliance framework for approved *Wakaf* funds, while also incorporating new requirements arising from the implementation of Malaysia's e-Invoice framework.

The salient updates of the Guidelines include:-

- The updated Guidelines introduce detailed characteristics of qualifying cash contributions that qualify as *wakaf.* Such cash contributions must satisfy the prescribed conditions, including having a determinable value in Ringgit Malaysia, complying with the principles and requirements of *Hukum Syarak* and being the donor's absolute property.

- The updated Guidelines set out the framework on the management and utilisation of cash *wakaf* funds. Cash *wakaf* may be developed through investment, development of *wakaf* assets, *istibdal* (substitution of *wakaf* property) and other Shariah-compliant methods approved by the relevant State Islamic Religious Council ["MAIN"] and State Fatwa Committee.

- The updated Guidelines also recognise *Wakaf Am* and *Wakaf Khas* as the qualifying categories of *wakaf* eligible for approval under Section 44(11D) of the ITA 1967.
  - *Wakaf Am* – *wakaf* that is not designated for any specific purpose.
  - *Wakaf Khas* – *wakaf* used for specific purposes such as the construction of universities, hospitals, development of mosques, disaster relief assistance, and other similar purposes.

- The eligibility criteria for the establishment of a *Wakaf* body or fund have been expanded and clarified. Approved *Wakaf* bodies or funds must be established to provide benefits to the community, with objectives that include promoting public welfare, healthcare, research, education, religious development and the proper management of *wakaf* funds to generate returns for the intended beneficiaries.

- The appointment and removal of members of the Board of Trustees, Board of Directors or Management Committee are subject to the consent of the relevant MAIN. Any appointment or termination of such members during the approval period must be notified in writing to the IRB, together with the appointment or termination letter certified by MAIN.

- The updated Guidelines introduce additional requirements relating to the appointment of a *Mutawalli/Nazir Khas*, including maintaining a valid appointment throughout the approval period, notifying the IRB of any termination or renewal of a fixed-term appointment and submitting MAIN's approval for administrative payments to the *Mutawalli/Nazir Khas* as part of the approval application.

- *Wakaf* entities approved under Section 44(11D) are required to register for a TIN.

- Approved *wakaf* entities are required to comply with the applicable e-Invoice requirements, including the issuance of e-Invoices or official *wakaf* receipts, where applicable.

- Approved *wakaf* entities are required to notify the IRB and submit the prescribed information in relation to any subsidiary established or owned by the entity.

- Approved *wakaf* entities are required to utilise at least 50% of the income derived in the preceding year within 3 years to achieve the objectives of the *wakaf* body or fund.

- Approved *wakaf* entities are required to comply with the applicable Islamic accounting standards and to submit, on an annual basis, audited financial statements together with reports on *wakaf* fund activities, investments, distributions and beneficiaries.

Note: *For further information on the previous PR No. 8/2020, kindly refer to our Tax Flash – February 2021 issue.*

Updated Guidelines for Application of Approval by the DGIR under Section 44(6) of the ITA 1967 in relation to House of Worship Management Funds

The IRB has recently issued the updated *Guidelines for Application of Approval by the DGIR under Section 44(6) of the ITA 1967 in relation to House of Worship Management Funds ["HWMF"]* to replace the previous Guidelines issued on 15th July 2020. The updated Guidelines introduce additional requirements relating to the implementation of Malaysia's e-Invoice framework and provide further clarification on the tax consequences of non-compliance with the approval conditions and restrictions imposed by the IRB.

The salient updates of the Guidelines include:-

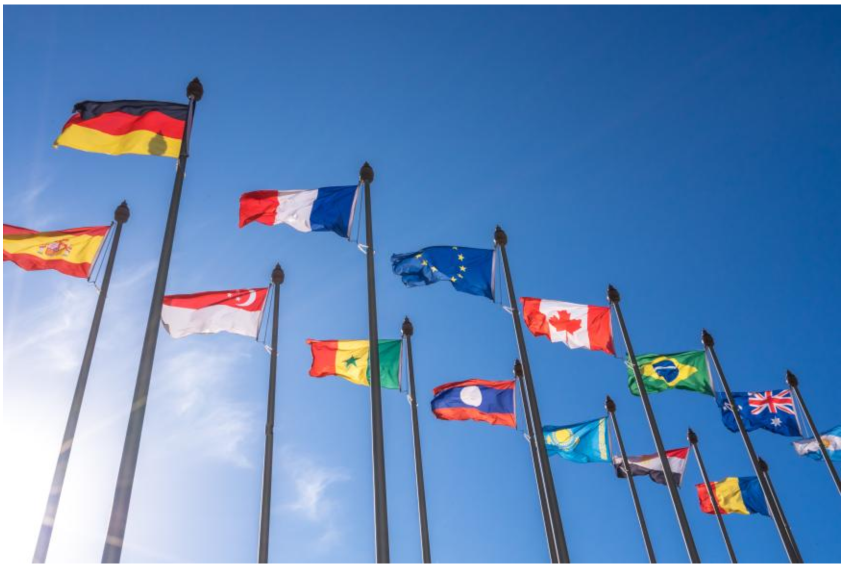
- Effective 15th June 2026, any applications, submissions and filings of documents and information must be made through the IRB's designated online services available on the IRB portals.

- The updated Guidelines incorporate Malaysia's e-Invoice framework by prescribing the circumstances in which an e-Invoice or an official donation receipt is required to be issued, including the issuance of consolidated e-Invoices, where applicable.

- Where an approved HWMF has no income in a year of assessment during the approval period and fails to comply with the relevant approval conditions or restrictions, the DGIR may exercise the powers under Section 148 of the ITA 1967 to shorten or withdraw the HWMF's approval under Section 44(6) of the ITA 1967.

- With effect from YA 2024, an approved HWMF may become liable to income tax for the year of assessment in which the relevant approval conditions or restrictions are not complied with, notwithstanding that the approval period remains valid and in force.

Note: *For further information on the previous Guidelines, kindly refer to our Tax Flash – August 2020 issue.*



Tax Incentives for Supply Chain Resilience Initiative

In line with the Government's announcement under Budget 2025 to introduce the Supply Chain Resilience Initiative ["SCRI"] under the New Investment Incentive Framework, the MIDA has recently issued the *Guideline and Procedures for the Application of Special Incentives Package for Strategic Anchors and Local Vendors in the Supply Chain Resilience Initiative (as at 15th July 2026)* ["the Guidelines"] to provide further clarification on the incentives available under the SCRI, the eligibility requirements and the application and verification procedures. The SCRI is intended to strengthen the local supply chain by encouraging collaboration between multinational company and local vendors.

The salient points of the Guidelines include:-

Tax Incentive	Key Eligibility Criteria
Double tax deduction on expenditures incurred by the Strategic Anchor	• A Strategic Anchor may claim a double tax deduction on qualifying expenditure of up to RM2 million per year for 3 consecutive years. • Qualifying expenditure includes expenditure incurred on:- o capacity building activities, such as certification programmes, technology collaboration and business process re-engineering; o product development activities, including product or service quality upgrading, innovation and research and development; and o human capital development activities, including technical skills training for Malaysian employees. • Capital expenditure on plant, machinery, fixtures, land, premises, buildings, structures or works of a permanent nature, including alterations, additions or extensions and expenditure on the acquisition of rights in or over any property, is not eligible for the double deduction. • The supply chain programme must be verified by MIDA before the double deductions can be claimed. • A formal agreement between the Strategic Anchor and the Local Vendor must be entered into within the period from 1st January 2025 to 31st December 2030. • The MIDA verification letter and the formal agreement between the Strategic Anchor and the Local Vendor must be retained for audit purposes.
Tax deduction on total investment made by the Strategic Anchor or its suppliers in establishing a Joint Venture with Local Companies	• A tax deduction equivalent to 20% of the total investment, up to RM100 million, may be claimed annually over 5 consecutive years of assessment • The investment must be made between 1st January 2025 and 31st December 2030. • The investment may be made in the form of equity investment or non-repayable investment.
Incentive for Local Companies (Vendors)	• Local Vendors participating in the SCRI may be eligible for the applicable tax incentives under the New Incentive Framework, subject to the relevant eligibility conditions and requirements.

Strategic Anchor

A **"Strategic Anchor"** refers to a new or existing multinational company or large local corporation (which is incorporated under the CA 2016 and resident in Malaysia), which operates in a strategic sector such as:

i. Electrical and electronics;
ii. Pharmaceutical;
iii. Medical device;
iv. Machinery and equipment;
v. Aerospace;
vi. Automative
vii. Data centre; and
viii. Other sectors covered under the New Industrial Master Plan 2030, assessed on a case-to-case basis.

Local Vendor

"Local Vendor" refers to a company which:-

- is incorporated under the CA 2016 and resident in Malaysia ;
- supplies raw materials, components, machinery and equipment to a Strategic Anchor company; and
- the beginning of the basis period for a year of assessment, at least 50% of the issued share capital of the Local Vendor must be owned by:-
  - a Malaysia citizen;
  - a body corporate which administers and manages a fund established under any written law; or
  - a company which is incorporated under the CA 2016 and resident in Malaysia, where at least 50% of the issued share capital is owned by a Malaysian citizen or body corporate which administers and manages a fund established under any written law.

Supplier of Strategic Anchor

A **"Supplier of Strategic Anchor"** refers to a new or an existing foreign-based company that supplies raw materials, components, machinery and equipment to the Strategic Anchor company. The supplier may or may not have an existing manufacturing operation in Malaysia.

Stamp Duty Treatment for Employment Contracts and Instruments under the Exemption and General Exemption Categories

The IRB has issued a *Media Release on Stamp Duty Treatment* dated 7th August 2026 to clarify the stamp duty treatment for employment contracts and endorsement requirements for instruments falling under the Exemption and General Exemption categories in the First Schedule to the SA 1949.

The key clarifications include:-

- **Exempted Instruments**
  Instruments listed under the Exemption category in the First Schedule of the SA 1949, including employment contracts with monthly remuneration of RM3,000 or less, are not required to be stamped or endorsed.

- **General Exemption Instruments**
  Instruments falling under the General Exemption category, i.e. instruments exempted under Section 35 of the SA 1949, are required to be endorsed to establish that the relevant parties and instruments qualify for the stamp duty exemption.

- **Employment Contracts Exceeding RM3,000 Monthly Remuneration**
  For employment contracts with monthly remuneration exceeding RM3,000, only the principal or master employment contract containing the terms and conditions of employment between the employer and employee is required to be stamped and endorsed. Ancillary instruments relating to the same employment are not required to be stamped or endorsed.

Service Tax Policy No. 2/2025 (Amendment No. 5) – Rental or Leasing Services

The RMCD has published the *Service Tax Policy No. 2/2025 (Amendment No. 5) – Rental or Leasing Services* dated 22nd July 2026. The salient points extracted from the policy are as follows:-

- The conditions for the MSMEs to qualify for the service tax exemption on rental or leasing services have been updated as follows:-
  - The exemption eligibility is determined based on the annual sales value declared by the MSMEs to the IRB for the latest year of assessment as follows:-
    - MSMEs with an annual sales value of less than RM1 million are eligible for service tax exemption starting from 1st July 2025;
    - MSME with annual sales value exceeding RM1 million but less than RM1.5 million are eligible for service tax exemption starting from 1st January 2026.
  - MSMEs that registered through the MyPMK system by 31st December 2026 are eligible to enjoy the service tax exemption retrospectively from 1st July 2025 or 1st January 2026, depending on the applicable annual sales value thresholds.
  - For the purpose of renewing this exemption eligibility status, MSMEs must update their annual sales value annually through the MyPMK system no later than the last day of the following month in which their latest annual income tax return is submitted to the IRB, subject to the following conditions:-
    - The MSMEs' paid-up ordinary share capital must not exceed RM2.5 million; and
    - Where the MSME is established by a company within the same group of companies, the establishing company's shareholding in the MSME must not exceed 20%.

- Following the gazettement of the relevant subsidiary legislation, i.e. the Service Tax (Rate of Tax) (Amendment) Order 2026 on 13th March 2026, the 2% service tax exemption granted to rental or leasing services from 1st January 2026 via the Service Tax Policy No. 2/2025 (Amendment No. 3) ["the STP 2/2025(3)"] has been overridden. Accordingly, rental or leasing services are subject to service tax at the rate of 6% effective 1st January 2026. This amendment formalises the reduction in the rate of service tax for the provision of rental or leasing services from 8% to 6% and dispenses the interim measures provided via the STP 2/2025(3).

- The following two (2) additional conditions have been introduced for newly incorporated MSMEs to qualify for the service tax exemption on rental or leasing services for a period of 1 year, commencing from the date of its registration with the Companies Commission of Malaysia or the relevant equivalent authority in Sabah and Sarawak:-
  - The MSME's paid-up ordinary share capital must not exceed RM2.5 million;
  - Where the MSME is established by a company within the same group of companies, the establishing company's shareholding in the MSME must not exceed 20%.

Note: *For further details, kindly refer to our Tax Flash – February 2026 issue.*

Service Tax Policy No. 4/2026 – Determination of Threshold Value and Imposition of Service Tax on Rental or Leasing Services, Group K, First Schedule, Service Tax Regulations 2018 Provided by More Than One Service Provider

The RMCD has published the *Service Tax Policy No. 4/2026 – Determination of Threshold Value and Imposition of Service Tax on Rental or Leasing Services, Group K, First Schedule, Service Tax Regulations 2018 Provided by More Than One Service Provider* dated 22nd July 2026. The salient points extracted from the policy are as follows:-

- Where several persons jointly provide rental or leasing services under a single agreement or contract, each person will be treated as a separate service provider. Consequently, each service provider must:-
  - determine separately whether the applicable registration threshold has been met; and
  - issue a separate invoice reflecting its respective share of the rental or leasing value.
- Where the rental or leasing services are provided as a whole under a single agreement or contract and a single invoice without any breakdown is issued in the name of one party (for instance, a separate joint venture entity or an appointed representative), that party will be regarded as the service provider. Accordingly, that party will be liable to register for service tax if the applicable registration threshold is met.

Update on the Validity Period of *Surat Pengesahan* MIDA

MIDA has issued a notice on the *Update on the Validity Period of Surat Pengesahan MIDA* on 23rd July 2026. Please note that all the *Surat Pengesahan* MIDA *["SPM"]* that are currently in force as well as any new *SPM* issued before 31st December 2026 will expire on 31st December 2026.

Companies are advised to refer to the MIDA's official announcement for further updates on the new *SPM* cycle and the applicable validity period from 2027 onwards.

Public Ruling No. 3/2026 – Determination of Foreign Currency (Selling) Exchange Rates Applicable to Service Tax and Sales Tax Invoices

The RMCD has published *Public Ruling No. 3/2026 – Determination of Foreign Currency (Selling) Exchange Rates Applicable to Service Tax and Sales Tax Invoices* dated 28th July 2026 (in *Bahasa Malaysia*). The salient points extracted from the Public Ruling are as follows:-

- The sales tax and service tax due must be determined in accordance with Section 11 of the Sales Tax Act 2018 and Section 11 of the Service Tax Act 2018 respectively.
- The explanation relating to the conversion of foreign currency into *Ringgit Malaysia* in respect of the importation of taxable goods and taxable services have been removed.

Note: *For further details, kindly refer to our Tax Flash – April 2026 issue.*

Sales Tax Orders

The following Orders have been gazetted on 31st July 2026 and took effect from 1st August 2026:-

- *Sales Tax (Goods Exempted from Sales Tax) (Amendment) Order 2026*; and
- *Sales Tax (Rate of Sales Tax) (Amendment) Order 2026*.

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MOORE Advent

- Head Office @ Surian Tower, Petaling Jaya
- Johor Office @ Menara JLand, Johor Bahru
- Penang Office @ Menara Boustead, Georgetown
- Labuan Office @ Lazenda Commercial Centre Phase II, Labuan

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